State of California

M e m o r a n d u m

To: Panel Members   Date: January 26, 2007

From: Diana Torres, Manager   Analyst: J. Davey

Subject: One-Step Agreement for **SAGE SOFTWARE, INC.**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition

- Legislative Priorities: Moving To A High Performance Workplace
  Promotion Of California's Manufacturing Workforce

- Type of Industry: Manufacturing Software Manufacturing

- Repeat Contractor: Yes

- Contractor's Full-Time Employees
  - *Worldwide:* 10,500
  - *In California*: 644

- ETP Trainees Represented by Union: No

- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs: $299,520

- Substantial Contribution: $0

- Total ETP Funding: $299,520

- Total In-kind Contribution: $392,883
  - *Trainee Wages Paid During Training:* $392,883
  - *Other Contributions:*

- Reimbursement Method: Fixed-Fee

- County(ies) Served: Placer, Orange

INTRODUCTION:

Founded in 1982 and owned by the Sage Group, plc, Sage Software, Inc. (Sage), produces accounting and enterprise software for small and mid-sized businesses. The Sage Group, plc is headquartered in Newcastle upon Tyne, United Kingdom and has facilities in Europe, Asia, and Australia. Headquartered in Irvine, Sage has facilities throughout the United States. Sage is eligible for ETP training under Title 22 California Code of Regulations, Section 4416(d)(1,2) as a company providing integrated software development, production, distribution, customer service and related internal services to its customers outside of California. This is the second project with ETP within the last five years.

MEETING ETP GOALS AND OBJECTIVES:

Sage proposes training that will further the following ETP goals and objectives:

1. To foster job retention in the technology industry where Sage faces strong competition from companies outside of California.

2. To meet ETP's mandate to develop the skills of frontline workers.

3. To enhance the job skills of frontline workers in California to prepare them for working in a high performance workplace.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 /Retrainee	MENU: Business Skills Computer Skills Continuous Improvement Skills	320	24 – 100	8 – 16	$936	$13.51 – 62.00
Wages After 90-Day Retention						

Occupation			
Corporate Support Staff Customer Service Staff Finance/Accounting Staff Information Systems Staff Managers/Supervisors Marketing Staff Research & Development Staff Sales Staff			

Health Benefits Used To Meet ETP Minimum Wage:	Turnover Rate	% Of Mgrs & Supervisors To Be Trained:
Although the company pays health benefits for its employees, the hourly contribution is not being used to meet ETP minimum wage requirements.	12.5%	9%

Other Employee Benefits:

In addition to Health Benefits, Sage offers stock plans, 401(k), Life/AD&D Insurance, sick leave, income protection plans, paid time off, adoption assistance, flexible work schedules, flexible spending college savings plans, sabbatical, vacation, a tuition reimbursement plan, and holidays.

COMMENTS / ISSUES:

> *Frontline Workers*

Two hundred, ninety-one (291) participants (91 percent) in this project meet the Panel definition of frontline workers under Title 22 California Code of Regulations, Section 4400(ee). In addition, 29 managers and supervisors (nine percent) will also participate in training. Sage states that managers and supervisors need the skills described in this proposal to assist frontline workers in obtaining and implementing the new skills. In addition, Sage agrees that no executive staff who set company policies will be reimbursed for training.

> *Production During Training*

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

RECOMMENDATION:

Staff recommends that the Panel approve this proposal based on Sage's need to train its workers in business, computer, and continuous improvement skills to remain competitive in the software development industry. The skills requested in this proposal will allow the company to provide integrated services to its customers and improve product efficiency.

NARRATIVE:

A company spokesperson reports that Sage's competitors include software giants such as Microsoft, Oracle, Intuit, and SAP. These competitors have greater economies of scale that allows them to compete more effectively in the software development marketplace. The company expects the competition in the software development industry to continue to intensify in the future, which will bring greater pressure on the company's ability to compete in the software development market. Sage believes that ongoing technological changes in both computer hardware and software will remain constant for the foreseeable future; therefore, the company must rely upon sales, marketing, new product implementation skills, and customer service to maintain and enhance its competitive market position.

In Sage's previous ETP Agreement, the company provided a range of 24 to 200 hours in Advanced Technology, Business Skills, Computer Skills, Continuous Improvement Skills, and Management Skills to 446 trainees in four California locations. The training was focused on providing a core set of quality improvement skills to its frontline workers and training in software development and network design for selected technical staff. While the training did accomplish many of the goals planned in that project, Sage found that the number of training hours was more ambitious than could be accomplished. The training described in this proposal will build on the skills in the previous project but will be focused more on delivering a consistent products and services and implementing a new Enterprise Resource Planning (ERP) system.

NARRATIVE: (continued)

In 2006, Sage continued its strategy of offering small and mid-sized businesses the broadest range of business management applications.   As part of this strategy, Sage acquired new products and upgraded existing products for general business and the specialized industries. Recent product acquisitions include: Verus Financial Management, a merchant services software provider; "The Master Builder" product line from Intuit Inc., and "Contractor Anywhere", products that serve the construction industry among others. Additionally, Sage is delivering key new releases and upgrades in its mid-market business management products and services portfolio.

In addition, the current systems do not allow for Sage to cross-sell or present a consistent face to its customers. The company has product lines that compete with other existing products for the same clients independently of each other.   This causes confusion on the part of the customer and missed opportunities for Sage.

To support the newly-acquired products and existing product upgrades, Sage is in the development and build stages of implementing its own new ERP system called Project Atlas. Project Atlas is a business process reengineering project, using the SAP software suite. This initiative is designed to achieve the Sage's strategic goal of "One Face to the Customer," improving the customer and partner experience. Project Atlas will simplify and unify Sage's internal processes, allowing the company to work smarter.

In order to manage the company's growth and maintain a competitive edge in the increasingly competitive software development industry, Sage is seeking funding from the ETP to provide the following supplemental skills to its 320 frontline workers:

Business Skills will provide frontline employees and managers/supervisors the skills in areas such as increasing customer retention through improved customer interactions, sales consulting/academy essentials, influencing without authority, Sage product and industry knowledge, and effective planning/implementation skills.   These skills will allow Sage employees to implement the company's business strategies and effectively support the company as it continues to grow and compete in the increasingly competitive software development industry.

Computer Skills will provide frontline workforce and managers/supervisors skills in topics such as Project Atlas/SAP skills, Visual Basic/Visual Basic for Application, Webcasts, new/upgraded software products, and Microsoft Sequel (SQL). These skills and others will allow the workforce to properly utilize the new systems and products implemented at Sage.

Continuous Improvement Skills The company's frontline workforce and managers/ supervisors will receive training in continuous improvement skills aimed at moving the company to a higher level of performance through conflict management, leadership/coaching/feedback skills, process reengineering, troubleshooting, quality improvement, and competitive analysis skills. These skills will enable the workforce to implement new working processes, improve leadership and teamwork capabilities, and increase product/process quality, thereby increasing the overall efficiency of Sage's workforce, while integrating new product lines and customers from acquired companies.

NARRATIVE: (continued)

Commitment to Training

A spokesperson for Sage Software states that ETP funding will not displace its own resources for training.

- Sage's annual budget for training for its California facilities varies from year to year. However, the company has invested over $10 million in the ERP system, Project Atlas.

- The types of training provided to trainees include Microsoft Office, new-hire orientation, job-specific training, employment law, performance appraisals and documentation, and interviewing skills.   In addition, elements of training provided in the previous ETP Agreement will be continued at its own expense.

- Sage expects the training requested in this proposal will also continue beyond the term of the Agreement and improve the company's competitiveness in a changing market.

SUBCONTRACTORS:

Yet to be determined.

THIRD PARTY SERVICES:

Training Funding Partners assisted with the development of the Application and other agreement requirements. The amount reimbursed for these services is a flat fee of $25,000.

PRIOR PROJECTS:

The following are completed project statistics for ETP Agreements with this Contractor within the last five years:

PRIOR PROJECTS						
Agreement Number	Location (City)	Term	Contract Amount	Amount Earned	*Planned In-kind Contribution*	*Reported In-kind Contribution*
ET05-0166	Irvine	9/6/04 – 9/5/06	$440,439	$251,439	$504,000	$451,725

Sage states that, although the first ETP project was not as successful as anticipated, the company did train a large number of trainees in skills that have positively benefited the company.

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MENU CURRICULUM

Class/Lab Hours	Trainees will receive any of the following:

Job Number 1

24 – 100

Business Skills
- Increasing Customer Retention through improved Customer Interactions
- Sage Product Knowledge and Industry Skills
- Accounting Procedures (Year-End Processes)
- Sales Consulting/Academy Essentials
- Advanced Marketing Skills
- Next Generation Product Knowledge/Skills
- Presentation Skills
- Influencing without Authority
- Sage Application Product and Industry Skills
- Effective Planning/Implementation Skills
- Building Trust/Collaboration
- How to reach your intended audience through effective writing skills

Computer Skills
- Microsoft Project
- Webcasts
- Project Atlas/SAP Skills
- Visual Basic/Visual Basic for Application (VBA) Skills
- Hypertext Markup Language (HTML) Skills
- Framemaker (software)
- Questionmark (software)
- Captivate (software)
- Sound Forge (software)
- Microsoft Sequel (SQL)
- Statistical Package for Social Sciences (SPSS) for Windows
- Advanced Software Design and Architecture
- System Development Life Cycle (SDLC)
- New/Upgraded Software Products

SAGE SOFTWARE, INC.

MENU CURRICULUM (continued)

Class/Lab Hours	Trainees will receive any of the following:

Job Number 1

24 – 100

Continuous Improvement Skills
- Conflict Management
- Leadership/Coaching/Feedback Skills
- Competitive Analysis Skills
- Managing Business Shifts and Change
- Process Reengineering
- Leadership/Management Strategies
- Quality Improvement
- Troubleshooting

CBT Hours	Trainees may receive any of the following:

Job Number 1

8 – 16

Business Skills
- Increasing Customer Retention through improved Customer Interactions
- Sage Product Knowledge and Industry Skills
- Accounting Procedures (Year-End Processes)
- Sales Consulting/Academy Essentials
- Next Generation Product Knowledge/Skills
- Effective Planning/Implementation Skills

Computer Skills
- Microsoft Project
- Visual Basic/Visual Basic for Application (VBA) Skills
- Hypertext Markup Language (HTML) Skills
- New/Upgraded Software Products

Continuous Improvement Skills
- Conflict Management
- Managing Business Shifts and Change
- Process Reengineering
- Quality Improvement

Comment: The parties agree that the training identified in this Curriculum may be revised from time-to-time during the term of this Agreement at the request of Contractor and with the prior written approval of ETP. (See also Section 12 in this Agreement.)